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MULTINATIONAL CO-OPERATION IN COASTAL MARINE AND INLAND WATER FISHERIES DEVELOPMENT

regulate their rate of exploitation. This is because results expected from the regulation of an exploitation rate can only materialize when the conditions for exploitation throughout the entire life cycle of the resource are satisfactorily stable.

15. When there is no concerted effort between two countries exploiting the same resource or working on highly exploited stocks, each one of them will try to secure the maximum benefit by trying to exploit the lion's share of the resource to the detriment of the other country. In extreme cases, this may be reflected in a possible slump in the bio-economy of the fishing areas resulting in the over-exploitation of stocks or economic stagnation for the whole fishery sector which would find itself overinvesting and using excess manpower.

16. Due to the risk of biological over-exploitation, economic stagnation or the environmental risks where the fragility of certain ecosystems is likely to affect fishing in the absence of concerted effort among the various owners of the resources, it is necessary to exploit fish stocks within a framework of more or less close co-operation among neighbouring countries. Bilateral or multilateral co-operation, depending on the size of the stocks concerned, are indispensable to the attainment of each country's fishery objectives.

C. Research and training in fishery management

17. African countries are increasingly realizing the fact that the study of the fishery sector must not be approached in a piecemeal case by case focusing on each stage of the sector. On the contrary, the fishery sector must be considered, from now on, as a structured entity that spans the production and consumption processes and where each constituent element of the sector is highly dependent on the others.

18. This new approach to research and to the training of senior officials of all levels in the area of the exploitation of living marine and inland water resources presupposes the development of capabilities for conducting highly advanced and comprehensive scientific studies in biological, economic and social terms. Research and training are indispensable instruments to fisheries development and management in African countries. However, at the moment in most countries, these services have summarily been confined to statistical follow-up activities (which are often not reliable because of the lack of financial and human resources), even though quality research work has been carried out in several countries in co-operation with industrialized countries.

19. Research, training and extension services are very costly for a State to finance single-handedly. Very often, the cost of acquiring efficient research vessels for exploratory fishing activities, monitoring stocks, and securing human and financial resources are highly prohibitive.

20. Another example which shows the considerable human and financial resource needs of these pre-catch sectors concerns the training of efficient senior staff in decision-making. In fact, this type of training is based on the exchange of knowledge as well as concerted action among high-level experts of the various countries. Moreover, research in fisheries is developing very rapidly as a result of increased

international competition. Consequently, it is obvious that in order to ensure optimum efficiency, training activities should not be carried out strictly within a national framework.

31. Now, most research and training programmes of countries within a region are the same. It would be advisable, in such circumstances (and some African countries have taken measures in this direction) to encourage alliances among States at the subregional level in order to pool the human and financial resources necessary for formulating and establishing common research and training programmes. It is only through this that African countries will ultimately acquire greater autonomy in the management and development of their fisheries.

3. National activities in the agencies in charge of fisheries management have historically two organizational models

32. Administrative agencies that oversee and implement fishery policies base their work on a comprehensive analysis of the development of the whole fishing sector. Such agencies strive to coordinate all activities relating to the various levels of the sector so as to analyse them and to ensure the consistency of different policies in terms of national fishery objectives. In this respect, most African countries are grouped into a subregional body (or some variant thereof). These problems are often solved through consensus at the end of meetings among national experts. In order to maintain the vitality of such meetings, it would be necessary to organize brainstorming sessions for the fishery professionals in charge of analysis issues relating to fisheries management and development. From the emerging consensus, national administrative agencies would be able to define coherent subregional policies likely to be incorporated at each national level.

4. Undefined EEZ boundaries and regulations

33. The establishment of EEZ boundaries within the framework of the adoption of the United Nations Convention on the Law of the Sea was based strictly on geographical factors. Along the coast, the recognition of national sovereignty does not pose any major problems. This is not the case on the high seas. In some subregions, national agencies responsible for monitoring and enforcing national regulations frequently encounter serious problems in demarcating and patrolling areas of national jurisdiction.

34. Reportedly, 50 per cent of the catches in the Mauritanian EEZ are poached. Conversely, with regard to stock evaluation, these problems stem from gross inaccuracies in data which adversely affect stocks.

35. Consequently, it is imperative that neighbouring coastal fishing countries should discuss and adopt common policies for the preservation, protection and management of fishery stocks. Concerted action among adjacent coastal countries on EEZ patrol is an essential condition for the development of the fishery sector in Africa.

36. The monitoring of fishing areas and the implementation of the regulations should be done mainly at the national level. But then, only good mutual information on the

42. While aquaculture has obvious potential, its development in Africa is still negligible, mostly due to sociological constraints encountered in most African countries. Indeed, African countries have tried to retransposse techniques adapted to the socio-economic context of the wealthy countries without sufficiently taking into account their own conditions. This situation is, however, changing with the increase of national expertise in applied research.

43. Considering the need to involve entrepreneurs in research and training centres so as to develop this activity, the human and financial resources required by the countries are substantial. Since the subregions, though comprising countries with their own local conditions for fish breeding, have similar environmental characteristics, it is necessary to promote common research and training programmes, established within the framework of subregional programmes.

44. Such programmes would turn out, on the one hand, to be less costly to each country because of the economies of scale thus realised and, on the other hand, profitable to national research and training centres which would thus be able to receive from these subregional bodies the support and information necessary for the implementation of their own programmes.

45. In future, aquaculture should arouse increasing interest since it will contribute, in inland waters, to ensuring food self-sufficiency, improving diets and diversifying marine exports.

46. In conclusion, all the reasons advanced under this first part must impel African countries to encourage the search for a consensus and pool their respective skills in all aspects of the fishery sector, at a level of more or less extended co-operation.

47. Furthermore, considering that most countries have limited human and financial resources and that the level of their scientific and technological development is relatively low, they cannot, individually, acquire all the knowledge and be endowed with the infrastructures necessary for the development of their sea and freshwater fishery resources.

48. Consequently, it is essential that African countries devote sustained effort to research and the implementation of activities that seek to promote multinational co-operation in the fishery sector.

49. Moreover, such activities fall within the extension and the follow-up of the FAO World Conference for the Development and Management of Fisheries (Rome, 1984) by all invited African countries.

III. MAIN AREAS OF MULTINATIONAL CO-OPERATION IN FISHERY DEVELOPMENT IN AFRICA

50. In the first part of this document, the need for African countries to co-operate in order to promote the development of the fishery sector was highlighted. In the following part, an attempt will be made to map out the broad outlines on which certain forms of multinational co-operation could be based.

A. Research and stocks evaluation

51. It would be advisable for research carried out within the EEZs of member countries to be conducted by co-operatives at the regional or subregional level with, for instance, collective management of research vessels. Since such vessels are well-equipped and endowed with technical staff, this would facilitate for systematic research covering the EEZ of the subregion considered. National experts of the subregion could meet regularly to exchange information and express opinions that seek to harmonize their activities.

52. It would appear necessary at that level to continue, indeed, to strengthen the more traditional forms of co-operation with nations of the North which operate in the sector through their special fact research bodies in Africa such as ORSTOM and IFREMER of France. This is to encourage the transfer of scientific and technical know-how to African countries.

53. Regional co-ordination in research, exchange and dissemination of information from research activities, and finally storage of scientific data, constitute major support activities for the development of fishery science and technology in Africa.

54. Contrary to data gathering which will be done mainly at the national level, the compilation and the redistribution of subregional data for stock evaluation must be carried out at the subregional level.

55. At sea, under the new system, concerted action among coastal countries has become necessary for the fostering of a common understanding of available knowledge on stock distribution and migration patterns. The similarity of problems, in certain cases, concerning the enacting of fisheries development and management strategies, also calls for a subregional approach.

B. Fishery administrative agencies

56. National administrative agencies in charge of fisheries development and management have often encountered material, financial and human difficulties in their functioning. In most cases, it would be necessary to plan to set up subregional structures that are likely to play better the role assigned to them by pooling the resources of each one of them, and by working in collaboration with existing national structures.

57. The exploitation of fishing areas may, moreover, need subregional concerted action especially when there are stocks (border or migrant) shared by several EEZs.

58. With reference to the chapter on food and agriculture of the draft treaty to set up the African economic community, it would be advisable that work carried out among several countries within the framework of fisheries development be maintained within subregional entities through sub-committees. However, it is important to specify that the harmonization of objectives will be more efficient as countries attain similar levels of economic development and have fishing areas characterized by similar prospects and difficulties (for instance, countries North of COPACO). Such

research will be difficult otherwise, and the objectives of fisheries development and management may risk differing fundamentally from one country to another.

59. In cases where coastal countries license long-range fishing fleets to fish in their exclusive economic zones, it will be advisable that countries of the same subregion such as Mauritania and Morocco which share the same stocks reach an agreement to propose the same conditions. This is all the more important as a certain number of European countries whose fleet traditionally ply the high seas in Africa have recently undertaken joint negotiation of their licenses with third parties within the framework of the EEC, especially in the Gulf of Guinea.

60. When coastal countries of the same subregion have similar economic and fisheries development levels and similar prospects and difficulties, plans may be made to sign reciprocal fishing agreements to authorize fleets to operate in all territorial waters of the countries concerned. Such agreements will be warranted by the expected benefits, especially in terms of increased yields and full use of fishing capacities.

61. In fact, experience shows that in the absence of a minimum level of national expertise, any inter-State co-operation is doomed to failure because the countries will be unable to evaluate objectively the terms of possible agreements, let alone to respect them subsequently. Of course, such a level of national expertise cannot alone resolve the problems inherent in the execution of a co-operation project since gross economic imbalances existing among several countries (fleet power, purchasing power, marketing and transport facilities, etc.) could considerably obstruct the development of such co-operation. These problems particularly came to light between Côte d'Ivoire and Ghana at sea, and among Kenya, Uganda and the United Republic of Tanzania on Lake Victoria.

62. Finally, with regard to the regulation of fishing areas, it is necessary that in production zones shared among several countries, measures be taken to harmonize certain regulations concerning, for instance, the mesh of nets, the control of rejects, etc. A coherent management policy that seeks to achieve specific objectives can only obtain expected results when several countries exploiting the same resources adopt common regulations.

V. Training

63. The number of high-level staff and expert- needed per country is not always very high and it is often difficult to provide complete education for just a few people. In order to overcome these problems, it would be advisable that existing national training and research institutes be specialized and transformed into regional or subregional centres. Such an initiative has already been taken in Rabat, Morocco through the Hassan II Institut Agricole et Vétérinaire (IAV) which is a subregional training centre for several French-speaking countries. At the moment, more than 10 fishery specialists of various nationalities have been trained.

64. Centres could be distributed equitably among countries of the subregion concerned and their training programmes as well as their selection criteria could be agreed upon at the subregional level. Some centres could only be short courses for high-level

fishery administrators, whereas others could be devoted to middle-level training mainly of staff who work in the field.

65. Given the overriding need at times to organize, in an appropriate manner, data gathering and analysis systems as well as economic and sociological information, it would be advisable to organize in these centres training courses on resource evaluation and fishery economics in order to improve the technical skills of national research teams. Such subregional working groups should ultimately promote and co-ordinate studies conducted at the national level and give young researchers the opportunity to acquaint themselves with new methods of evaluation as well as the essential economic aspects of the fishery sector.

D. Development of fish production, use and marketing

66. The African continent is very heterogeneous as regards the national ability to exploit fishery resources and the market for fishery products. Indeed, in certain countries such as Nigeria and Zaire where fish, especially freshwater fish, is important in the diet and where there is a sizeable market, fish trading prospects are particularly attractive.

67. Furthermore, since domestic production of these countries is inadequate, they attract fish caught and/or processed in neighbouring countries.

68. Bilateral or multilateral trade in the area of the exploitation of fishery resources would enable African countries to derive maximum benefits from their own socio-economic environment.

(a) Production

69. Though comprising groups of fishermen with individual mode of organization, African fisheries, nonetheless, have the same characteristics: these fishermen can exploit the same resource, with the same fishing gear. Having benefitted from varied technical, economic and cultural assistance, especially in the case of small-scale fishing, the level of national fishery development varies from one country to another in the various exploitation domains of a fishing area. It is very probable that by encouraging the exchange of information among various constituent groups of a subregional fishing area, there may emerge complementarities with the possibility of mutual assistance.

70. This could be attained through training activities initiated by research bodies and co-ordinated at the subregional level in order to improve and revitalize small-scale fisheries in particular.

71. The benefits expected from an exchange of information among several groups operating the same fishing area lie in the fact that having access to the same fishing technologies, each country will use the production tools in its own way. Thus, the same tools could have appreciably different uses from one group to another. This idea

the area of fishing since these countries are convinced that the establishment of a new world economic order will be attained mostly through the promotion of South-South co-operation.

108. Working groups were thus set up in order to identify existing forms of co-operation and to strengthen them through support actions in the area of fishing.

B. FCA's role, activities and objectives in the promotion of inter-State fishery co-operation in Africa

109. This report endeavoured to show the importance of the development of multinational co-operation in the area of fishing in Africa.

110. Individually, as a result of the very often fragile economy, African States cannot derive all the benefits that fishing should provide for their respective economies. It is therefore necessary that they undertake their various activities collectively and that subregional and regional mechanisms be strengthened. Such co-operation must be actively pursued, particularly in higher training, the exchange of information, the exploitation of resources, especially shared resources, the processing and marketing of products, the joint development of certain technologies, and the transfer of working methods, technologies and skills within the region.

(a) FCA's role

111. The role of FCA in the exploitation of living marine and inland water resources falls essentially within subregional and regional co-operation. FCA, through its various activities, strives to assist member countries in the following areas:

(a) Better evaluation of stocks, rational exploitation and management of the fishing areas;

(b) Development of sea and fresh water fishing;

(c) Upgrading of products through the development of processing and preservation methods, transport and marketing; and

(d) Intensification of aquaculture development.

112. All these activities are sometimes initiated at the national level but mostly at the subregional level. Member States are also assisted in the establishment of training institutes, particularly at the subregional level. FCA is also striving to help member States to incorporate provisions of the United Nations Convention on the Law of the Sea into their marine resources development policies.

113. Finally, FCA often participates in this sector by working closely with the FAO Fisheries Department principally and sometimes with other United Nations agencies such as UNDP and UNIDO in order to harmonize activities carried out in Africa.

North African MUFPOs. Considering that there is a strong political will in the subregion for an economic union within the framework of the Maghreb Union, the study took account of this special characteristic by expanding its area of action to Mauritania. This study was designed as a reflection and an analysis carried out jointly in the field with national experts of the fishing business in the various countries. ECA's role has been to listen and lead discussions among the various fishery administrations of the subregion in order to bring out a certain number of analyses and action proposals for the development of co-operation.

(c) ECA's objective, in fishery development and multinational co-operation

115. With reference to its role and its main activities carried out, ECA's main goal as concerns living sea and freshwater resources is to promote all multinational co-operation activities. The line of conduct thus defined by ECA takes into account factors that are mainly related to the present economic situation.

116. The fishery sector in Africa is increasingly taking on an international dimension, especially at sea where production very often requires imported technology and know-how. Constraints to restore their trade balance, and above all, their balance of payments should lead African countries to give, from now on, greater consideration to fishery exports.

117. This new economic environment should probably spur countries of the South to come together in order to compete with countries of the North under better conditions.

118. In the sea fishery sector, this need for grouping was further strengthened by the "sovereignty transfer" from member countries of the Union Europe (European countries involved in EEC fishing co-operation) to the EEC. The latter often speaks on behalf of African countries in the fishery sector. In order to balance North-South relations, Africa gave and continues to give preference to activities that seek to group the countries among themselves. The objective of ECA is to provide assistance to its member States in order to help them to translate that resolve into action.

119. Finally, owing to the new idea held mostly by African countries that fisheries development in Africa, should give preference to the production-to-marketing approach, ECA will encourage as much as possible national entrepreneurs and foreign enterprises to set up joint ventures. This will be done to increase the scope of interaction between bodies corporate: one endowed with resources and the other with a market, for instance, or technology.

120. In its activities, ECA is taking care not to duplicate activities already carried out by its member States or other international organizations. Rather it promotes multinational co-operation.

121. In order to do this, ECA must be the driving force leading debate and co-ordinating activities at the regional level so that countries ultimately become fully responsible for the development of their fishery sector by encouraging South-South in addition to North-South trade.

122. To illustrate this, reference can be made to measures recently taken by ECA within the framework of the multinational co-operation project among the Arab Maghreb countries in the fishery sector. ECA's advisory mission to the Tangier MULPOC was placed within the context of which is a political reality taking shape through the strong will expressed by member countries.

123. Technically, projects are prepared during meetings of national experts. For this type of meeting, ECA should be prepared to listen since, not being party to any decision, it will be able to analyze and then identify with the various national experts those projects likely to be accepted by all, and thus make proposals compatible with the interest of each country. ECA must therefore lead the debate, leaving the choices and decisions to be made by the national experts.

124. In the field of fisheries development, ECA, as a regional organization, will endeavour to promote reflection and concerted action among African countries. In fact, it must adopt a multidisciplinary approach which, at the same time, incorporates technical, scientific and economic expertise. Contrary to other international organizations like FAO which, as a result of its competence and operational resources, can specialize in a specific area, ECA must provide its support through measures applied before or after the execution of development projects. And this should be done by maintaining close relations with such executing agencies of the United Nations system as FAO.

125. The role of ECA is to encourage and support African countries when they plan to follow up a fisheries policy based partly on multinational co-operation.

126. At the moment, a new impetus that seeks to make African countries more and more autonomous in the management of their fishery resources is gaining ground. The organization of the Rabat Ministerial Conference on Fishing Co-operation among African Riparian States of the Atlantic Ocean was particularly appreciated by ECA since the initiative was totally African. But then, any project which is likely to succeed in Africa today must be initiated by the countries directly concerned. This is an essential condition for the harmonious development of fisheries in the region, since international organizations are always ready to proffer their technical or economic support.

127. It is within this context that the ECA highly commended the Rabat initiative, and will continue to give its full support to any similar enterprise.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

128. Sea and fresh water fishery resources can contribute considerably to the socio-economic development of countries both at the primary sector and at the secondary and tertiary sectors (pre and post-catch industrial sectors, various services, etc.). However, it is necessary to note that the present capabilities of African countries to explore, exploit and manage sea and freshwater fishery resources are limited.

129. In order to overcome this problem, African countries have for some years realized that one of the main conditions for the achievement of fishery objectives was to promote technical and economic co-operation among countries of the South. As was underlined by the Chairman of the FAO World Conference on Fisheries Management and Development (Rome, 1984), co-operation among the countries, no matter their level of development, is essential if the objective of greater self-sufficiency in the fisheries sector is to be attained and if the aquatic ecosystems are to be rationally used and properly protected.

130. This need for co-operation is strengthened within the current trend to internationalize the sector. It is reflected in the resolve to encourage the economic co-operation of countries within a given subregion, and to promote South-South economic relations through groupings and the exchange of human, technical and financial resources.

131. Other reasons directly related to the special characteristics of the fishery sector and which also militate and favour the promotion of concerted actions and co-operation among countries are existence of shared stocks, similar needs in research and training, need for concerted action among national administrative agencies in charge of fisheries development, virtually the same difficulties of access to new technologies, the lack of structures to defend the need to approach problems relating to processing and marketing on world markets in a concerted manner, and aquaculture development.

132. All these reasons are increasingly compelling the countries to promote concerted action and the realization of bilateral or subregional co-operation activities in the areas of fisheries management and development and the reciprocal respect of national regulations.

133. The March 1980 Rabat Ministerial Conference unleashed a new thrust initiated by African countries to give expression to the strong national will to co-operate on bases likely to offer, ultimately, possibilities for the profitable economic integration of the African continent.

134. In marketing terms, FCA must in future give total support to such initiative in order to activate this latent demand within African countries, by playing the role of a catalyst and leading debates in the bid to develop the fishery sector in Africa through multinational co-operation.

5. Recommendations

(i) As regards training and fish farming, African training centres should be subregionalized;

(ii) In order to encourage the exchange of information, statistical data on all aspects of fishing should be pooled and processed at the subregional level, in certain research centres through a process of standardized collection and processing of information for a given subregion;

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REPORT ON THE CONTRIBUTION OF STABILIZATION FUNDS AND EXPORT COMMODITY MARKETING BOARDS TO THE IMPROVEMENT OF RURAL MARKETING INFRASTRUCTURE

I. INTRODUCTION

1. This report has been prepared by the Joint ECA/FAO Agriculture Division (JEFAD) within the context of the work programme of the Economic Commission for Africa for the 1990-1991 biennium. The study relates to the contribution of agricultural product stabilization funds to the improvement of rural marketing infrastructure.

2. The agricultural sector is and remains, for all ECA member States, the driving force of the economy and rural infrastructure in general and marketing infrastructure in particular constitute an indispensable support for the promotion of the sector. In fact, the transition from traditional subsistence agriculture to market-oriented agriculture demands not only improvement of agricultural methods but also and, most importantly, the establishment of adequate infrastructure for marketing surplus production. Such infrastructure include mostly rural roads, transport, storage and irrigation facilities and all other technological and logistical facilities which could be useful to the agricultural population. Unfortunately, in most African countries, producers still face numerous problems in the marketing of their products due, among other things, to:

(a) Lack of feeder roads or the poor state of repair where they exist;

(b) Insufficient or no transport facilities; and

(c) Lack of or inadequate product storage, processing and preservation infrastructure.

3. The lack or deterioration of infrastructure has also resulted in:

(a) Difficulty in the supply of inputs to rural areas, making the adoption of new technologies difficult;

(b) The high cost of the collection and distribution of food crops and export products, etc.

4. In general, all these factors have led to post-harvest losses as high as 30 to 50 per cent on the average, stagnation of overall agricultural production and a decline in per capita food production. Besides, private operators have not been encouraged to invest sufficiently in the marketing of agricultural products since State or parastatal bodies have the monopoly in the collection, storage and distribution of agricultural products. However, the undeveloped state of infrastructure has also definitely contributed to discouraging private sector involvement in this field and thereby consolidated the monopoly of State institutions. This infrastructural deficiency is, furthermore, one of the causes of the ineffectiveness of these institutions (the high cost of collection and distribution mentioned earlier).

5. Faced with this situation, the Heads of State and Government underscored the need to develop marketing infrastructure within the framework of the Lagos

Plan of Action adopted in 1980. The importance of rural infrastructure was also stressed in Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER) adopted by the twenty-first ordinary session of the Assembly of Heads of State and Government of the OAU held in Addis Ababa in July 1985, especially in the chapter devoted to rehabilitation of African agriculture, which recommended, inter alia:

(a) In the short term and at the national level, strengthening of rural institutions and infrastructure in general, and construction of small bridges, access and service roads and rehabilitation, strengthening and periodic maintenance of existing infrastructure in particular;

(b) In the long term and still at the national level, improvement of rural infrastructure particularly in the areas of:

(i) produce collection and distribution of farming inputs;

(ii) storage and preservation;

(iii) irrigation and water distribution; and

(iv) rural amenities such as health, education, water and electricity supply, information and other basic services.

6. Furthermore, the twelfth ECA Conference of Ministers (twenty-first session of the Commission) in its resolution 595 (XXI) on the improvement of the food situation and rehabilitation of the agricultural sector in Africa emphasized the urgent need to develop basic rural infrastructure.

7. The undeveloped state of infrastructure mentioned earlier is, unfortunately, often directly attributable to the lack of or insufficient financial investment. In fact, paucity of budgetary resources is often cited as the reason why existing infrastructure cannot be maintained. However, in most cases, substantial amounts of money are generated through the various mechanisms of taxation on agriculture and on export production in general. Since the colonial period, State institutions have been established to manage such funds, whose primary objective is the stabilization of producer prices and, secondly, the promotion of agricultural development. Marketing boards in some English-speaking countries and the Caisses de stabilisation in the French-speaking countries were established for this purpose. However, these have proved to be ineffective in most cases.

8. The most common criticism levied against these funds is that they have militated against the interests of producers by paying them rates far below the world prices. Also, it has been common for funds generated during bumper periods to be used for purposes other than the designated objectives. The fund system has also entailed increasing taxes on the agricultural sector and it has rarely contributed to its development. In certain cases, the fund has run into a deficit and the States have resorted to offsetting the costs through subsidies or heavy borrowing.

9. Furthermore, and particularly because of the unfavourable world prices, the tendency in recent times has been to attribute the difficulty in stabilizing producer prices to the economic environment. Yet, part of the blame lies in the ineffectiveness of State bodies whose poor management of such funds has made the system unoperational. For instance, the fixing of nominal producer prices alone has not made it possible to guarantee their income or to improve their welfare. As such, the issue at hand today is how to promote agricultural marketing systems more efficiently and more competitively. Over and above the objective of mere price stabilization, the development of rural infrastructure in general and of marketing in particular should be the major concern of governments seeking, over the long term, to promote production and to guarantee better incomes to the numerous rural producers.

10. The main objective of this report is to examine how agricultural product stabilization funds have contributed to the development of agriculture in general and of marketing infrastructure in particular. The analysis of the available data has made it possible to identify the problems and to make recommendations regarding the functioning of the funds, taking into account the current context of declining world commodity prices and the need to transform African agriculture through the establishment of adequate infrastructure in the rural areas.

11. The report is divided into three main parts.

(a) Background to stabilization funds.

(b) Operation of stabilization funds, divided into three sub-headings:

(i) the mechanics of operation;

(ii) the impact on producer price and income stabilization of policies implemented through the various funds, with a sub-chapter describing the size of these funds;

(iii) the contribution of the funds to agricultural development in general and infrastructure in particular;

(c) Conclusions and recommendations.

12. The methodology for the preparation of the study is based essentially on information collected during missions conducted to some countries, namely Senegal, Nigeria, Rwanda and Togo and on the bibliography at the end of this report. However, it is worth mentioning the difficulties encountered in the collection of the data. Despite the timely measures taken to meet this objective, it was practically impossible to obtain all the desired data from the countries visited and for this reason the report is not as comprehensive as ECA would have liked it to be.

II. BACKGROUND TO STABILIZATION FUNDS

13. In Africa, agriculture has always been the main source of revenue of public administrations. This phenomenon goes as far back as the colonial period, when

most of the African economies were based on the production and export of a few, mostly agricultural, commodities. These were, in general, coffee, cocoa, groundnuts, palm oil and cotton, to mention only a few. Apart from a few African countries which had the privilege of possessing other resources, particularly minerals, these products were the main resource of revenue, part of which was destined for the administering colonial power. As such, the administration took action at the time to protect their economies. The objectives of the funds, during the colonial period, was to protect the interests of companies of the administering colonial power of that era. It is in fact within this framework that most of the stabilization funds in African countries were established. For instance, the Fonds d'investissement pour le développement économique et social (FIDES) (investment fund for economic and social development) and the Fonds d'équipement rural pour le développement économique et social (FERDES) (rural fund for economic and social development) established in French-speaking West Africa in 1936 and 1949 respectively are quite representative of these. The objective of these funds was mainly to intensify the production of export commodities (priority given to rubber and oilseeds) in order to ensure increased supply to the mother country. The effect of intensifying production also aimed at supporting the war effort through these funds. This was the case of the West African Produce Control Board (WAPCB) in Nigeria, a former colony of Great Britain which kept its prices artificially low during the Second World War in order to support the war effort of the colonial power.

14. Subsequently, the objectives of the funds during the post-colonial period changed and can be summarized as follows:

(a) Regularization, particularly of producer prices for export products;

(b) The search for and implementation of all appropriate measures for improving the quality of and developing production of export crops.

15. A case in point is the Caisse de stabilisation et de soutien des prix des produits agricoles de Côte d'Ivoire (CSSPPA) (Price Stabilization Scheme) established by decree on 14 October 1955. The fundamental objective of CSSPPA was to protect producers from price fluctuations (the drastic slump in the price of commodities such as coffee and cocoa). Cotton, banana and oilseeds were added subsequently.

16. In Cameroon, the Produce Marketing Organization and the West Cameroon Marketing Board, even before their merger into the Office national de commercialisation des produits agricoles de base (ONCPB) (an agricultural commodity marketing board) were responsible mainly for regulating the export prices of coffee, cocoa, cotton, palm oil and ground-nuts and instituting appropriate measures for developing and improving the quality of those crops.

17. The agricultural commodity stabilization funds were later assigned larger functions of development in general which gave the States sufficient leeway to allocate their funds according to the needs of the economy. The structures of most of the funds were thus modified (merger of several funds) so as to tailor them to current needs. The merger of the cocoa and coffee funds by the CSSPPA of Côte d'Ivoire clearly illustrates this phenomenon. This was the case of the

Caisse de péréquation et de soutien des prix (CPSP) (price equalization and support fund) in Senegal created in July 1973 from the merger of six previously autonomous funds for ground-nuts, grains, wheat and flour, cotton, sugar, fishery products and related industries. In some cases, the statutes of the institutions specified the functions of the funds, such as in the case of the CPSP in Senegal, or the OCIR-café in Rwanda. In Senegal, the CPSP was assigned two roles:

(a) An economic and social role of supporting the prices of the above-mentioned products and participating in the financial operations for development in the rural and agro-industrial sectors;

(b) A financial role based on the building of reserves to enable the fund to guarantee producer prices and to back up the State investment budget.

18. In Rwanda, the OCIR café which is responsible for coffee and quinquina production, essentially manages three financially autonomous funds:

(a) An operating fund for financing the quality control and packaging of coffee and other industrial products as well as activities for the marketing and promotion of export commodities;

(b) An equalization fund for guaranteeing staple producer prices;

(c) A campaign fund for financing the extension and expansion of industrial farming and for stimulating consumption.

19. However, even such role specification has not prevented the stabilization funds from deviating from their objectives and particularly from not investing enough in rural development in general and in infrastructure in particular.

20. Today, the stabilization funds are evolving in an atmosphere where the long-term prospects of the international prices of most commodities remain unfavourable and risk jeopardizing the current or future existence of such funds. Moreover, the crisis situation persists and African countries continue to be confronted with difficulties in achieving equilibrium in their balance of payments and the payment of their debts.

21. In view of the situation, readjustments in the management of these Funds should be embarked upon as a matter of urgency.

22. However, before concluding this part, it should be emphasized that other types of funds have been established at the international level, such as Stabex, the system for stabilization of export earnings from agricultural commodities which has been in existence since 1975 following the signing of the first Convention between the Europe [1] then enlarged to nine members on the one hand and

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[1] The first treaty establishing the European Economic Community (EEC) was signed in 1957 by the following six countries: Belgium, France, the Federal Republic of Germany, Luxembourg, Italy and the Netherlands. This Treaty was accompanied by an implementation agreement which provided for a unilateral system of association between

the 46 African, Caribbean and Pacific (ACP) countries. The main function of these funds is to compensate the losses in revenue incurred by producers as a result of fluctuations in world prices and a fall in production.

III. FUNCTIONING OF STABILIZATION FUNDS

A. Operating mechanisms

1. At the national level

23. The operating mechanisms of such funds at this level are generally the same for all the countries. In fact, the funds most often operate on the basis of taxes levied on earnings from the export of agricultural products of the country concerned. The level of taxation varies in accordance with the system designed by the country to attain its objectives.

24. The two stabilization systems which seem to have dominated are:

(a) The system referred to as 'total stabilization' which is practised in most countries. This system operates on the basis of the differences between the export price and a guaranteed F.o.b. price. The latter is defined as the sum of a fixed price (nominal price) paid to the producer and a differential or scale comprising all costs for marketing the product. Most African countries, particularly such French-speaking countries as Cote d'Ivoire, Senegal and Cameroon have applied this system to varying degrees. An effective application of this system normally implies setting the guaranteed nominal price to an appropriate consumer price index. Unfortunately, the system has not been followed in most countries. It appears that the most common practice has sometimes been to adjust prices but with a time lag. Such adjustments are generally insufficient, leading to instability of real producer prices and their downturn.

(b) The system called "integral transmission" which consists in the application, compared to the international export price, of a constant rate of tax or scale. Such a system, in fact, favoured the producer, particularly when there was a rise in prices since the price then paid to producers reflected the trends in international prices. This system seemed to have existed only in Kenya for coffee and tea until 1977 when it was unfortunately abandoned following an international prices spiral. Since then, it has rather been the scale which is indexed in accordance with international prices and this boils down to the first system of total stabilization.

25. The total stabilization system, unfortunately, gave rise to an indirect tax through the fixed producer price or to direct tax (tax levied on certain products or on certain social groups by virtue of their activities - this applied to traders transporting ground-nuts or oil in Senegal) which once more penalized activities related to these crops. The case of Rwanda which through the OCIR-

café [2] levies a uniform rate is considered to be the volume produced in a particular year [3] (Rwanda).

20. From the point of view of the role of Stabex in the management of the export earnings, the most important aspect is undoubtedly the authority of a Director-General or a Division Head to receive reports relating to the utilization of funds in recipient countries and, especially the responsibility of a supervisory committee to ensure that the transfers are effected correctly and in order to improve the economic and financial affairs of the country. If producers or traders are represented on such committees, they can exercise control of other kinds. In terms of administration, the management body which has the status of a Government owned industrial and commercial establishment or that of a State corporation comes under the supervision of such key ministries as agriculture, trade or economic affairs (technical supervision) and the Ministry of Finance for financial supervision. In actual practice, however, the powers of the committee are often superseded by stronger authority, namely the State. Such constant State control over the funds is detrimental to the motivation to the management body of a development agency responsible for controlling activities.

(c) At the national level

21. The objective of the Stabex of stabilization of export earnings from agricultural commodities (Stabex) is to provide ACP countries with the necessary funds for making up the losses in export due to price fluctuations or the production of agricultural commodities exported to the EEC. [4] In other words, the Stabex has a major role to play at the level of producers but this is done through the States.

23. Assistance under Stabex is based on the following two criteria:

(a) A product is eligible for such assistance if during the year preceding the year of application, it accounted for 1.5 per cent of the total [5] export earnings of the country.

(b) A country is entitled if it registers a drop in earnings of 6.5 per cent [6] compared to the average of the four years preceding the year of application.

25. Stabex assistance is generally to the benefit of the States even though in some cases, particularly for the more developed ACP countries, such assistance could

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[2] The OCIR-café was formerly the Office des cultures industrielles du Rwanda established in 1964 from the former Office des cafés indigènes du Rwanda (OCIRU).

[3] With the exception of the 11 countries whose geographical position does not allow them to export to the EEC.

[4] This rate was 7.5 per cent under the first Convention; for the least developed ACP countries, the rate was reduced to 5 per cent (Lomé I) and 2 per cent (Lomé II).

be in the form of an interest-free loan. Under the Lomé II Convention, the ACP States were obliged to give account of their use of such assistance.

B. Effectiveness of price stabilization mechanisms

1. At the national level

30. From the foregoing, the objective of stabilization funds was, through their operating mechanisms, to constitute reserves during periods of favourable world prices and to compensate for losses incurred by producers during a fall in such prices, in short, to stabilize producer prices and incomes. In reality, the operation of these funds generally entailed paying producers very low prices or levying export taxes on certain products which resulted largely in penalizing both producers and the production of export commodities.

31. This situation occurs in several countries. For example, in Cameroon, a study[5] highlighted the fact that the price of commodities such as coffee, cocoa and gum arabic (with the exception of cotton) had been decreasing in real terms since 1980 despite numerous adjustments.[6] According to the study, the producer prices of cocoa from 1975 to 1984 were on the average 44 per cent of the c.i.f. price, with a maximum of 51 per cent in 1981; those of coffee arabica were 38 per cent of the c.i.f. price with a maximum of 49 per cent in 1981; that of coffee robusta [illegible] per cent of the c.i.f. price with a maximum of 50 per cent in 1981 (see table 1). According to the same study, the commercial and internal transport costs for coffee and cocoa over the same period (1975 to 1984) represented on average 20 per cent of the f.o.b. price whereas levies by the ONCPB absorbed up to 33 per cent of the f.o.b. price for cocoa and 37 per cent for coffee.

32. In the Central African Republic, the fall in producer prices has also affected cotton, another commodity of the country while the price of cotton simply doubled, i.e., from CFAF 23 to CFAF 39 per kg between 1970 and 1980 while the retail price of sugar and rice quadrupled, signifying a real decline in the purchasing power of producers.

33. Another illustration of the low producer prices paid in such countries as Togo, Nigeria, Ghana and Mali is given in figure 1 which shows the ratio between the producer price of various export products and the border price calculated at the official exchange rate. This figure includes some non-African developing countries, but this in no way changes the situation. The practice of taxing export crops is clearly obvious from the figure. Hence, it is observed that:

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[5] See IBRD report: Country Economic Memorandum on Cameroon, 19 February, 1987.

[6] In reality, these adjustments, like in the other countries, were linked to political decisions and therefore were meant to impress rather than be realistic and to help improve the purchasing power of producers.

(a) In Togo, the producer price of coffee is about a third of the border price;

(b) In Mali, those of cotton and ground-nuts are about half of the border price while in Ghana, Cameroon and Côte d'Ivoire, the producer price of cocoa is less than half the border price.

34. The situation is no different in some of the other countries visited including Senegal, Nigeria and Togo. Table 2 on the comparative prices of coffee and cocoa during the period 1976 to 1984 gives an overview of the trends in producer price compared to the world price. In this table, a limited increase in producer price of 58 per cent for cocoa and 57 per cent for coffee is observed while the world price is double for the two products during the 1976 to 1977 and 1977 to 1978 financial years, representing an increase of 92.8 per cent for cocoa and 89 per cent for coffee.

35. The trends in producer price compared to the world price for ground-nut oil in Senegal for the period 1975 to 1984 is given in table 3. The figures show a depreciation in real terms of producer price, which is expressed in the fall in the corrected nominal price of the consumer price index used as a deflator (see table 3)

36. The same picture as above emerges in table 4 on producer prices of cotton for the period 1969 to 1985 in Togo.

37. Along with this, another factor has also had a negative impact on price stabilization. This relates to the exchange rate policy adopted and which translates into the maintenance of an overvalued exchange rate of the local currency. Such overvaluation which in some ways corresponds to indirect export tax, further penalizes exports. This phenomenon of real exchange rate appreciation is clearly indicated in the table below:

Index of real exchange rates in several African countries (1969-1971 = 100)

Countries	1973-1975	1978-1980	1981-1983
Cameroon	75	58	80
Côte d'Ivoire	81	56	74
Ethiopia	93	64	67
Ghana	89	23	8
Kenya	86	69	86
Malawi	94	85	94
Mali	68	50	66
Niger	80	56	74
Nigeria	76	43	41
Senegal	71	60	85

Countries	1973-1975	1976-1980	1981-1983
Sierra Leone	100	90	73
Sudan	76	58	74
United Rep. of Tanzania	85	69	51
Zambia	90	79	86
All sub-Saharan countries	84	62	69

Source: Kerr (reference document).

Note: The real exchange rate in this table corresponds to the official exchange rate corrected on the basis of the ratio between the index of adjustment of domestic consumer prices and that of consumer prices in the United States. A fall in the index indicates a real appreciation of the currency. The figures cover three years on average.

38. In the sub-Saharan countries taken as a group, the appreciation was 31 per cent between 1969/1971 and 1981/1983 as illustrated in the table. The overvaluations were particularly pronounced in Ghana, Nigeria and the United Republic of Tanzania. The consequences of such monetary appreciation are well known: creation of parallel markets (this tendency is particularly strong in tightly controlled and monopolistic economies). The result is a loss to the State of the resources passing through these markets. This phenomenon was also very obvious in the above-mentioned countries. In the United Republic of Tanzania, a decline in the production of exports such as cotton, tobacco and pyrethrum was also observed as maize could fetch far more on the parallel market.

39. Moreover, it is quite common for substantial amounts to be realized from these funds since of the level of taxation levied on producers is, unfortunately, very high. It was not possible to obtain any general data on the funds realized over a long period of time. However, the following table, covering three crop years only, namely 1972 to 1975 of the cocoa stabilization fund in Cameroon, gives some idea of the situation.

Revenue from cocoa (in millions of CFA francs)

Agricultural year	Producer	Export sector	Company	Stabilization Fund	Total revenue
1972-1973	8 233	3 067	2 821	2 962	17 083
1973-1974	9 250	10 274	3 324	10 320	33 168
1974-1975	12 031	7 624	4 393	13 965	38 013

Source: Jean Assoumou, "L'économie du cacao", Edition Jean Pierre Delarge, 1967.

40. It should be noted that the total revenues indicated here correspond to the f.o.b. value of cocoa bean and cocoa product exports including producer shares not previously deducted.

41. The author highlights the magnitude of the funds generated on this product alone by comparing the total revenue of about CFAF 38 billion collected during the 1974-1975 financial year, to State budget revenue during the same period, which works out at a sizeable rate of 45 per cent. The table further highlights the relative share of revenue secured from each contributor. Hence, the stabilization fund accounts, on average, for 35 per cent of total revenue or 27.2 billion representing a yearly average of 9 billion (against 33 per cent from producers and 12 per cent from the State), which is appreciable all the same.

42. The substantial volume of these funds is further illustrated in the case of Nigeria. In fact, a report[7] on this country indicated that during the existence of the West African Produce Control Board (WAPCB), the body responsible for controlling all export commodities in Nigeria during the Second World War, considerable surpluses were accumulated. The same report also emphasizes the fact that the surpluses grew further when the regional offices were established in 1954 because of the powers vested in them to set producer prices (see tables 5, 6 and 7).

2. At the international level: Transfer of State funds

43. The Stabex system is designed to make up export revenue losses to producers through the transfer of the funds it generates. However, an examination of these funds reveals that the total Stabex package rose from ECU 375 million under Lomé I (1975) to ECU 550 million under Lomé II (1981), accounting for 12.2 per cent and 11.8 per cent respectively of total appropriations under each Convention.

44. The table below gives a detailed overview of Stabex transfers under Lomé I and II.

Stabex transfer by group of products

	Lomé I		Lomé II	
Group of products	In millions of ECUS	Percentage of total transfers	In millions of ECUS	Percentage of total transfers
Coffee	14.5	4.6	240.6	37.4
Cocoa products	1.5	0.5	148.8	22.6
Cotton products	43.4	13.7	36.5	5.5
Copra and coconut	10.6	3.4	31.6	4.8

[7] It should be noted that in 1945 this Board accumulated a surplus totalling Pound Sterling 8.32 million.

	Lome I		Lome II	
Group of products	In millions of EUA	Percentage of total transfers	In millions of EUA	Percentage of total transfers
Groundnut products	139.4	44.2	193.3	30.2
Oil cake	37.6	5.0	14.0	2.1
Raw sisal	20.2	6.5	9.1	1.4
Wood products	40.7	12.6	0.4	0.1
Other products (each representing a maximum of 2% of the total)	28.1	8.9	20.3	3.2
Total payments at 1% end of 1985	316.3	100.0	640.1	100.0

45. It emerges from this table that under Lome I, groundnuts and cotton products absorbed nearly more than half of the transfers while under Lome II coffee, cocoa and ground-nuts accounted for most of the transfers.

46. In 1985, States transfers under Lome III, amounted to a total of EUA 315.4 million broken down as receipts of products as follows.

Stabex transfers by type of products under Lomé III

Products	ECU (millions)	Percentage of total transfers
Coffee	216.2	58.4
Cocoa	23.5	6.3
Cotton	24.2	6.5
Copra	20.0	5.5
[illegible]	14.1	3.8
Tea	16.4	4.4
Others	40.7	10.1
Total	375.4	100.0

47. Thus, from 1975 to 1985, Stabex transfers to the ACP countries amounted to ECU 1,200.4 million. Yet, since Lomé II, Stabex has been facing the problem of insufficient resources with the result that in 1990, justified demands exceeded available credits by ECU 123 million. By 1991, this deficit had risen to ECU 341 million and finally in 1992, stood at ECU 204 million, despite the restrictions. These deficits have been brought about by the collapse of raw material prices.

(c) Contribution of the funds to the development of agriculture in general and infrastructure in particular

48. Despite the importance of stabilization funds, they have not been used rationally. Funds generated from levies on the agricultural sector, in particular, have not been adequately reinvested in the development of agriculture or in that of infrastructure. The Cameroonian stabilization fund for cocoa (in the following table) is a case in point.

Breakdown of funds of the stabilization fund for cocoa among the various activities

Area of activity	Breakdown of activities	Period of intervention of the Cocoa Fund	Total expenditure (in CFAF)	Average annual expenditure (in CFAF)
1. Plant post control	- Capsidae control	1960/61-1974/75	3 639 937 452	269 322 [illegible]
	- Brown rot control	1960/61 and 1967/68-1974/75	849 060 884	91 340 000
		Total	4 328 898 336	
2. Research on extension services and production	- selecting cuttings	1963/64-1970/71	226 012 000	28 251 501
	- Seed production	1963/64-1974/75	401 262 663	33 600 [illegible]
	- IFCC	1970/71-1971/72 and 1974/75	66 550 600	22 [illegible]
	- Regeneration of cocoa trees	1969/70-1974/75	452 977 197	[illegible]
	- Study on the cocoa-growing area SEDES	1964/65	7 557 000	7 557 000
	- Cocoa plan	1971/72 and 1974/75	105 319 850	52 659 925
	- SODECAO	1973/74-1974/75	385 000 000	192 500 000
		Total	1 647 578 711	
3. Organisation of planters (co-operation)	COOP/MUT	1959/60-1964/65 and 1968/69	181 589 161	25 [illegible]
	CEN/DEC/CEFDEC	1970/71-1973/74	11 350 000	27 837 500
	ZAPI Centre sud	1969/70-1974/75	515 915 000	192 500 000
		Total	908 853 161	
4. Tracks in cocoa plantations		1969/70-1971/75	1 276 423 173	212 737 [illegible]
		Total	1 276 423 173	
5. Human and material resources	- Human resources	1961/62-1974/75	499 061 000	35 647 21[illegible]
	- Material resources	1961/62-1974/75	850 057 341	60 718 381
		Total	1 349 118 341	
		Grand Total	9 610 971 341	

Source : "L'Economie du cacao" by Jean Assoumou.

Note. It should be noted that the initial year marks the beginning of intervention of the Fund while the terminal year indicates either the year for which the latest figures were available during the preparation of the table (cf. capsidae control) or the end of operation (cf. selected cuttings, etc.). Subsidies under the fund of which it was not possible to single out the share of cocoa (cf. CINAM subsidy, etc.) were not taken into account in the table.

49. From the table, the main expenditure lines in the rural sector may be summarized as follows:

(a) Plant pest control: CFAF 339.7 million per annum on average;

(b) Agricultral research: CFAF 84.1 million per annum on average;

(c) Organization of planters: CFAF 139.7 million per annum on average;

(d) Tracks into cocoa plantations: CFAF 211.7 million per annum on average.

50. At first sight, the volume of expenditure seems substantial and yet becomes most inadequate when compared to the mean annual amounts disbursed by the fund over the period 1972-1975 (CFAF 776.2 million against CFAF 9 billion per annum - see table on earnings from cocoa in part III).

51. Besides, the funds have been invested in an unproductive manner or in sectors having no real link with agricultural development, and this affected the sector adversely. In Senegal, for example, substantial funds were allocated to programmes of subsidizing local consumer goods for the urban population rather than for those in rural areas. The subsidized items including rice, sugar and ground-nut oil under the price equalization programmes carried out by the CPSP, absorbed nearly CFAF 10 billion out of the total CFAF 13 billion total expenditure of the fund during the 1973/1974 financial year and CFAF 4.5 billion out of CFAF 8.75 billion for the 1974/1975 financial year or more than 50 per cent of the expenditure during that financial year (see tables 8 and 9). For the same country, another report confirms that the negative equalization of the fund up to 1980 meant withdrawing government funds from resources earmarked for local producers to subsidize the urban food market where the national food deficit, compensated for by massive grain imports in the past few years was most severe. [8] While such investment programmes were aimed at protecting local production, all that they have achieved was to promote inefficient production at high cost and, therefore, seriously draining available funds. It is obvious that the subsidies would have served a better purpose had they been oriented primarily towards the rural masses.

52. Two other examples of the inefficient use of funds in Côte d'Ivoire and in Nigeria can be cited. In Côte d'Ivoire, CSSPPA [9] (the price stabilization scheme) is cited, together with the special investment and equipment budget and the debt depreciation fund, as a scheme which has contributed significantly to the economic and financial decline of the State. Accordingly, the stabilization fund made substantial transfers to the special investment and equipment budget and to the Treasury during the last decade. According to the same report, the

[8] See national report for Professor Mustapha Kasse on "Les marchés et politiques de prix au Sénégal: contribution à la consultation d'experts sur les politiques des prix et d'intervention sur les marchés agricoles en Afrique".

[9] See IBRD report: A basic economic report on Ivory Coast, February 1977.

funds collected under the scheme from cocoa and coffee export earnings since 1963/1964, excluding the 1973/1974 and 1974/1975 financial years, was CFAF 6.3 billion per annum. However, about CFAF 1.5 billion out of those funds were spent on administrative costs while CFAF 1.5 billion were invested in the international organizations responsible for the agreements on the various products. Other expenditures were also made on diversification projects in the agricultural sector and on industrial processing, but the amounts are not specified. The rate of expenditure subsequently increased to CFAF 7 billion in 1974/1975. In certain cases, the decision to allocate funds was made without consulting the governing council, which shows the difficulty of using such schemes to conduct effective economic and financial policy. The same report also notes that CFAF 36 billion were transferred to the special investment budget over a period of 12 years, with a maximum of CFAF 13.5 billion in 1969/1970 whereas no contribution was made to the Fund during the same period. The position of reserve funds was however strengthened, increasing from CFAF 10 billion in 1964/1965 to CFAF 14.3 billion in 1974/1975.

53. A close link was further observed between the rapid increase in these funds and the acceleration of the public expenditure programme. In 1974 the Government of Côte d'Ivoire had allocated a substantial portion of these funds (more than CFAF 20 billion) to investments in the north of the country, but those investments were more of a social nature rather than directly productive. The investment went for instance, into the building of schools, giving rise to recurrent expenditure such as the employment and training of teachers which were also paid for from these funds.

54. Nigeria presents another example of the inadequate use of stabilization funds in sectors other than the agricultural sector, often for unproductive purposes. In fact, a study on this country underscores the fact that substantial amount of funds (the precise figure is not mentioned) of the Eastern Marketing Board, i.e., the Board responsible for the management of cocoa, copra and ground-nut production were invested in the construction of a cement factory, namely the Nkalagu Cement Factory and in buying shares in the African Continental Bank, a local private bank. The same Board also granted a subsidy of two million pounds sterling to the University of Nsukka which, by the way, had been established from these funds. Similarly, the Western Marketing Board allocated six million pounds to the administration of the western region for financing needs generated by the regional development plan. Other investments (figures not given) were made towards research and education including subsidies to the University of Ife and to plastic making and fruit conservation factories as well as a cement factory, the Ewekoro Cement Factory. It is such investments which increased the share of local investments from 67 per cent in 1955 to more than 80 per cent in 1980, as indicated in table 7.

55. Although, in general, the investment policy cannot be said to be the major cause of the stagnation in export crop production, it has quite obviously contributed significantly to that. For example, in Nigeria, it was noted that for all export commodities, production, which did not reach a peak until the middle of the 1960s has declined since then (with the exception of palm products). From 1970 to 1982, decline rates of 43, 29, 65 and 64 per cent were observed in the production of cocoa, gum, cotton and ground-nuts respectively

(see table 10 on cocoa production and producer price of cocoa during the period 1960 to 1975).

56. On the other hand, the positive impact of adequate investment in infrastructure was also noted. For example, Côte d'Ivoire stimulated the production of timber, cocoa and coffee by developing transport infrastructure in the south of the country (see table 11 below). The construction of the Vridi Canal which was opened in 1950 gave the country an excellent deep-water port providing access to the sea for export crops. Besides, given the fact that the four major rivers of the country are only navigable to a limited degree, substantial investments were made in land transport; the Abidjan-Niger Railway was built and the road network in the forest zone developed.

Historical development of the major export products in Côte d'Ivoire

Year	Exports Logs (tonnes)	Cocoa (tonnes)	Coffee (tonnes)	Export value of unprocessed logs, cocoa, coffee (billion CFAF) a/	Value of total commodity exports (billion CFAF)	Commodity export as a proportion of GDP (percentage)
1930	13,400	n.s.	24	n.a.	0.01	n.a.
1920	46,000	1,006	17	0.02	0.06	n.a.
1940	23,200	45,360	15,610	n.a.	0.30	n.a.
1945	10,070	26,940	37,870	n.a.	0.82	n.a.
1950	106,000	61,690	54,190	12.00	13.30	n.a.
1955	169,400	75,200	84,600	24.20	25.60	n.a.
1959	444,200	63,260	104,700	30.60	33.80	n.a.
1960	640,000	62,870	147,500	33.30	40.20	28.6
1961	760,000	88,470	153,800	37.70	47.50	29.8
1965	1,500,000	126,400	185,700	51.80	70.50	29.8

n.a. Not available.

Source: J.Dirck Stryker, "Exports and Growth in the Ivory Coast: Timber, Cocoa and Coffee". Yale University, Economic Growth Center, Discussion Paper No. 147, New Haven, Connecticut, June 1972, Appendix Tables.

a/ In addition, exports of the three products in processed form had a value of CFAF 0.7 billion in 1960 and CFAF 4.6 billion in 1965.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

57. This study has proved to find a number of fund management problems. The main ones are as follows:

(a) Stabilization funds created by state legislation have made little or no contribution to the development of the agricultural sector from which they draw most of their resources. On the other hand, this report has also highlighted the fact that funds have, often, been used unproductively or in sectors other than the agricultural sector and, in fact, that the use of these funds for many diverse purposes has been one of the main causes why they have been sidetracked from their objectives;

(b) The negative impact of [illegible] investment policy on production has also been noted, while the positive impact of infrastructural investment on production in certain countries has also been clearly shown;

(c) Similarly, it has been noted that the [illegible] mechanism of these institutions (i.e., through taxation or procedure) has led to a fall in real producer prices. Several examples have coincided with the steady decline in the purchasing power of farmers. Along with these, the negative impact of overvalued exchange rates has also been highlighted;

(d) The study has also highlighted the adverse effect of interference from public authorities on these funds and the fact that such interference most often prevented effective planning for such funds;

(e) At the international level, the compensation mechanisms particularly Stabex have only served as partial guarantee since the resources allocated through such [illegible] have been far below the losses incurred by the African countries on their export products. Moreover, the measures adopted to reduce public expenditure under the structural adjustment programmes instituted by the IMF and supported by the World Bank and other donors, particularly the intensification of the fiscal pressure, have helped to reduce the export earnings of producers further. Such programmes continually recommend to African States to increase their exports in order to obtain more foreign currency to pay their debts. Yet those African countries that have followed this recommendation and invested in their export commodities today, find themselves in a situation of overproduction because of the protectionist measures adopted by the developed countries, not to mention the resultant fall in prices. This depreciation of export prices persists. Figure 2 at the end of this report confirms this state of affairs. The same figure also indicates the price fluctuations that have aggravated the problems mentioned earlier and which compound the difficulties pointed out in relation to planning by the funds and forecasting of the volume of resources that the funds could generate, thus jeopardizing the process of price stabilization for which the funds were set up. Besides, the multiple agreements concluded on coffee and cocoa within the

framework of the International Coffee Organization (ICO) [10] and the International Cocoa Organization (ICCO) respectively, which agreements have scarcely functioned satisfactorily for exporting countries in Africa, is further testimony of the difficulty in finding a suitable solution for the African countries.

58. In the light of these conclusions, the following recommendations should be made:

B. Recommendations

1. At the national level

59. This report has highlighted the ineffectiveness of the State institutions responsible for the management of stabilization funds as far as their contribution to the development of agriculture in general and infrastructure in particular is concerned. It is therefore necessary to formulate new export commodities management strategies which would stimulate agricultural production, with special emphasis on infrastructure as an indispensable support subsector for the establishment of a genuine market economy. The recommendations are as follows:

(a) The current system of operation of stabilization funds, namely through the existing stabilization schemes should focus, particularly in the current environment of a falling prices which limits their resources, on substantially increasing on their contribution to agricultural and infrastructural development, especially as infrastructural development also helps to limit rural-urban drift. Moreover, the State should endeavour to avoid diverting the resources of such Funds for unproductive purposes or towards sectors other than the rural sector, a practice that has largely contributed to the depletion of such resources. In this connection, a radical restructuring of these institutions is necessary and call for the following measures:

(i) A price policy in favour of producers and which entail:

a. substantial increase in producer prices thus guaranteeing them an adequate purchasing power;

b. adjustment, on continuing basis, of producer prices in accordance with an appropriate consumer price index.

(ii) A substantial reduction in their operating costs through subcontracting of activities (primary marketing, transport, etc.), and a reduction of general costs. For example, in the Central African Republic, the combination of producer price increases and measures to rehabilitate the Société centrafricaine de développement agricole (SOCADA), in some

[10] ICO is currently on its third agreement since 1962, the date of the first agreement. The third agreement was signed in 1983 and was, in principle, to expire last September without any satisfactory alternative solution being envisaged until December 1988. The ICCO, for its part, is on its fourth agreement since 1972.

instances, led to a substantial reduction in commercial cost thanks to subcontracting to the private sector of purchasing and transport activities and in others to a reduction in certain administrative costs (although the disinvestment which resulted from the implementation of certain structural adjustment programmes should be avoided). This made it possible to double production from 22,600 tonnes in 1980/1981 to 46,300 tons in 1984/1985 and yields from 276 kg per hectare to 572 kg per hectare;

(iii) The abolition of the monopoly of these institutions in order to spur them on to be competitive in the domestic and international markets and bring about renewed efficiency. This will also help them to reduce their costs further;

(iv) There should be greater representation of producers and rural commercial transactors in the governing councils of these institutions so as to ensure that they mirror the interests and concerns of these social groups;

(v) A change of attitude, particularly of the public authorities to these funds is necessary. In fact, these institutions should no longer be considered as sources of revenue for the government but as a priority economic activity sector which should be encouraged with the main objective of generating revenue which could be used to stabilize the standard of living of producers or to improve rural infrastructure.

The improvement of the commercial cost of these institutions and tax relief should be accompanied by an equivalent increase in producer prices in order to enable these funds to effectively make a headway in their objective of stabilization which they have never fulfilled. As case in point is, Côte d'Ivoire where after increasing the producer prices for coffee and cocoa by up to 50 per cent of the f.o.b. price during 1966 to 1976 coupled with other incentives, the size of cultivated areas increased from 600,000 and 700,000 hectares, to 920,000 to 1,235,000 hectares, respectively.

In the same vein, in order to ensure effective management of the resources of the funds and reduce government intervention, it is recommended:

a. to avoid investing such resources with the Government Treasury so that largest share is not used for public operating expenditure.

b. to invest the resources with the central bank rather than with the commercial bank. This would promote a more economic monetary policy where the resources generated are very substantial as in the case of Cameroon, Côte d'Ivoire and Nigeria. It is also important that the central bank remunerates the assets deposited by the stabilization fund at a rate at least equal to the rate of inflation in order to maintain the real value of investments.

(b) Similar to food crops, liberalization in this sector seems to be a necessity in order to revamp the sector which has become lethargic as a result of monopolies. Such a measure seems all the more desirable in the economies which have quite capable private institutions to relieve the public sector. However, here too, the remark made in relation to food crops is also valid for export crops. Prudence and rigour should be exercised to avoid a drastic transition from an economy dominated by the public sector to a totally private-sector economy without the necessary preparation. This is in order to avoid paralysing a sector of such crucial importance as this to the economies of African countries. The example of the ground-nut business in Mali at the beginning of the 1980s, when a total withdrawal of the State from the marketing circuit led to a fall in producer price and consequently in production, is not forgotten. As such, the State should continue to oversee the efficient functioning of existing institutions in order to ensure that the rights and privileges due to producers are preserved. State agencies should therefore have a more relaxed role of supporting the production of export commodities by providing extension services for inputs and other factors of production or even dissemination of research, price and market information, etc.

Whatever the context, wether public, private or mixed, incentives to the private sectors including the co-operatives are necessary. However, such institutions should be provided with certain facilities in order to enable them to operate better. In this regard, mention should be made of the improvement of markets, facilitation of market access, both for operators and traders through the improvement of rural roads, improvement of information on the volume of harvests and producer price, introduction of weight standards and harmonized measures, where they do not exist and also training. Measures should also be taken towards facilitating access to credit, ensuring tax relief and promoting all types of transactions.

Co-operative activities should also be encouraged. The same measures indicated above for the private sector should also be applied to the co-operatives. As the functioning of a co-operative is based on the principle of free and voluntary membership, ways and means should be sought to ensure such membership. In this regard, the membership criteria should of necessity, be reviewed, so as to ensure that they are democratic. As regards training, it could be provided through the organization of meetings or seminars.

(c) Furthermore, more substantial investments should be devoted to rural infrastructure, particularly rural feeder roads (the building of new roads or rehabilitation of existing ones), storage, irrigation, agricultural research, extension services and any type of infrastructure likely to stimulate production. At the same time, measures conducive to the promotion and the export of the commodities concerned are necessary, particularly in the present context of falling agricultural raw material prices. In addition to the measures indicated earlier to abolish taxes and to adjust producer prices, action should be taken to:

(i) apply an appropriate exchange rate to exports;

(ii) announce the prices fixed for commodities long before harvest and make payments as soon as deliveries are made.

Countries which have applied such reforms have registered remarkable results. For instance, the Sudan which developed a major irrigation network into cotton producing areas, abolished export tax and reduced its exchange rate for this product and adopted many other measures to strengthen the parastatal and research bodies, doubled its production in five years (1980-1985) from 306,000 to 625,000 tons.

Also in Cote d'Ivoire, spectacular results were obtained following the establishment of cuttings propagation centres, the promotion and popularization of appropriate cultivation techniques and support to research organizations, which have considerably increased yields. Moreover the establishment of plant pest control centres and primary processing factories has promoted sales of products abroad as well as that of finished products distributed on the domestic markets. Such investment also makes it possible to curb rural-urban drift whose adverse consequences on agricultural production are quite obvious.

In addition to these, African countries should explore the possibility of diversifying their agriculture; this is of singular importance in the current environment of a slump in raw material prices. Again, Côte d'Ivoire is a noteworthy case in point. Following the drastic fall in the price of coffee and cocoa in the 1950s, that country introduced new crops, namely banana, pineapple, gum, coconut and oil palm which have triggered an increase in export earnings.

Moreover, the possibility of introducing export subsidies on certain major crops such as coffee, cocoa and cotton should be examined so as to reduce the effect of the overvaluation of the local currency. Together with this, import subsidies on certain food product destined mainly for the urban population and whose adverse effects on local production were pointed out earlier, should be abolished. The programme of subsidies should be oriented in such a manner as to be of the most benefit to the rural population and the poor.

In their policies on import-substitution, African States should endeavour to avoid applying protectionist measures which have often promoted costly and uncompetitive local production, namely measures likely to erode the positive effects of those aimed at boosting exports. In this connection, the system of protection should aim at reducing the cost of local production and avoid introducing measures which militate against the interests of intermediary goods or finished products industries. The taxation system should therefore be selective, in other words, taxes levied on such industries should be substantially reduced or almost completely abolished so as to avoid penalizing local production and thereby exports through high costs.

2. At the international level

60. Given the present situation, the efforts of the international community are just as important as national efforts in order to improve the international economic environment for export commodities (improvement of terms of trade, etc.). Stabex provides the one major example in this regard. At present, it is the most operational mechanism for compensating losses in revenue incurred by the ACP exporting countries as a result of the falling prices. Substantial funds have been disbursed under this system since the Lomé I Convention. However, because of the sharp fall in prices, compensation under the system has only been partial. It is, therefore, necessary to improve this mechanism, particularly in terms of the volume of funds and the promptness with which payments are made.

61. According to Claude Freud, [11] a choice should be made between under-payment of tropical commodities and compensation of the loss in earnings through "charitable aid" and the payment of the correct prices for these products with no need for the establishment of a compensation mechanism. The author favours the latter and also reckons that if the current trend in prices continues (low prices), then it would be necessary to quadruple the current amount of the Stabex in order to make up for the losses related to such fall in prices.

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[11] See Claude Freud, "Quelle Cooperation: Un bilan de l'aide au développement",

62. On the other hand, it would be laudable if the purchasing countries (developed countries) would put a stop to their protectionist measures and take action to raise the export of prices of African commodities so as to guarantee them more stable markets.

Table 1a. Producer and export prices (CIF) of main export crops

(in CFAF per kilogram)

	1979	1980	1981	1982	1983	1984	1985	1986
Cacao a/								
Export price	775	637	400	535	760	1 010	1 148	...
producer price (grades I and II)	260	290	300	310	330	370	410	420
Arabica coffee a/								
Export price	740	890	693	885	1 038	1 291	...	...
Producer price	300	330	340	350	370	410	450	475
Robusta coffee a/								
Export price	712	414	630	504	930	1 190	1 457	...
Producer price	280	310	320	320	350	390	430	440
Cotton (yellow and white)								
Producer price	65	70	90	90	105	117	130	130

a/ The difference between c.i.f. prices and producer prices includes the costs of harvesting, internal transport, ONCPB levies and insurance.

Source: Tables 1b and 1c

Table 1b. Producer price (in CFAF per kilogram)

	Cocoa			Coffee		Cotton	Rice		Palm oil
	I	II	III	Robusta	Arabica		I	II	
1970/71	85	85	70	125	155	..			
1975/76	130	120	90	145	205	..			
1976/77	150	150	90	195	275	..			
1977/78	220	220	90	250	375	65			
1978/79	260	260	90	280	900	65			
1979/80	290	290	100	310	330	70			
1980/81	300	300	100	320	340	90			
1981/82	310	310	100	330	350	90			
1982/83	330	330	100	350	370	105	145	62	
1983/84	370	370	130	390	410	115	145	62	176
1984/85	410	410	250	430	450	130	145	78	323
1985/86	420	420	310	440	475	130	153	78	323

Source : Note annuelle de statistique.

Cocoa I : Grade I
Cocoa II: Grade II
Cocoa II: Lower grade
Rice I: Marketable rice
Rice II : Paddy rice

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Table 1 cn. Trend in the price of c

Products	1978/79	1979/80	1980/8
Cocoa	775	847	
Arabica coffee	730	884	
Robusta coffee	712	922	
Cotton	325	410	
Specific wood	40 000	39 167	41
Ethnic wood	30 000	42 979	39
Export bananas			

Source : Note secrétariat du secrétariat

main export products (in CFAF)

1981/82	1982/83	1983/84	1984/85
635	630	1 010	1 [illegible]
895	1 049	1 291	1 [illegible]
[illegible]	[illegible]	1 194	1 [illegible]
77	542	742	701
57 000	57 000	70 512	77 500
3 [illegible]	3 855	5 081	4 700
431	401	217	271

Table 3: Changes in producer price of groundnuts compared to the world price of groundnut oil in the UK

Year	P.P producer price in current CFA/F	Consumer price index 1980=100	P.P. producer price in constant CFA/F	G.P.O current CFA/F	G.P.O constant CFA/F	Ratio S.P.O/ G.P.O	World price current CFA/F	Ratio S.P.O/ W.P.O.	Ratio P.P/G. P.O/C.
1975	31.5	184.5	22.87	275	[illegible]	.82	250	98.00	1.1
1976	31.5	183.	22.63	300	[illegible]	.82	250	0.5)	1.15
1977	31.5	200.1	20.71	300	[illegible]	.82	250	1.1)	1.1
1978	31.5	211.7	19.65	200	96	.82	200	0.0	1.0
1979	31.5	241.6	17.92	230	[illegible]	.82	200	0.0)	1.00
1980	31.5	251.1	16.60	240	[illegible]	0.87	175	0.87	1.00
1981	60.0	266.2	17.26	330	121	0.3	300	0.7	0.75
1982	60.0	312.3	19.21	330	104	1.30	215	3.5)	0.9
1983	60.0	348.7	17.21	392	113	0.53	232	3.07	0.75
1984	50.0	385.0	12.99	500	130	10.00	175	7.00	0.75

P.P: Purchase price
P.P.G: Purchase price of groundnuts (unshelled)
S.P.O: Selling price
S.P.O.: Selling price of oil (groundnut)
W.P.O.: World price of oil (groundnut)

Table [illegible] Trends in producer price of cotton in Togo

Year	Consumer Price index	Nominal price in CFAF/ kg	% on index	Actual price in CFAF/ kg	% on index
1969/70	100	35	100	35	100
1970/71	[illegible]	38	[illegible]	42	91
1971/72	113	42	119	31	89
1972/73	120	35	100	29	93
1973/74	175	47	134	27	77
1974/75	[illegible]	[illegible]	134	29	83
1975/76	190	50	143	27	77
1976/77	260	50	143	23	66
1977/78	267	45	171	28	80
1978/79	24	50	171	25	71
1979/80	283	50	171	23	66
1980/81	310	60	171	19	54
1981/82	381	65	186	17	49
	31[illegible] 1/			21 2/	
1982/83	340 1/	65	186	19 2/	54
1983/84	353 1/	65	21	20 2/	57
1984/85	365 1/	65	257	21 2/	60

Source : OPAT Agricultural price analysis unit.

*: Base 100 in 1963 brought back to base 100 in 1970.

1/ Source: Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).
Base calculated
from the indices worked out on the basis of the base for 1963.

2/ Figure calculated on the basis of BCEAO base of 75.

Table 5 Investments of the Northern Marketing Board : 1955-1960 in Nigeria
(value in '000)

Year	Balance	General* reserves	Overseas**	INVESTMENTS Value	Total investments in Nigeria % compared to ratio of reserves to investments	
1955	29385.00	27809.00	24098.00	5000.00	17.90	17.20
1956	30609.00	28983.00	24098.00	5006.00	17.20	17.20
1957	35807.00	34156.00	20567.00	8767.00	25.80	30.00
1958	30678.00	29454.00	15028.00	9264.00	31.40	38.20
1959	28193.00	27360.00	10053.00	12299.00	45.00	54.50
1960	28365.00	27525.00	10053.00	12093.00	44.00	54.40

* The reserve includes stabilization funds.

** Cost price value of involvement in the British war, excluding interests

Source: Annual reports of the Northern Marketing Board.

Table 6. Investments of the Eastern Marketing Board 1955-1960 in Nigeria (value in '000)

Year	Balance	General reserves*	Overseas**	INVESTMENTS Value	Total investments in Nigeria % compared to ratio of reserves to total investments	
1955	10 793.00	6 488.00	8 205.00	2 150.00	25.57	20.78
1956	11 300.00	9 322.00	8 205.00	3 000.00	36.04	26.77
1957	12 466.00	9 167.00	8 205.00	3 100.00	33.82	27.47
1958	13 980.00	10 184.00	8 696.00	3 200.00	31.42	27.04
1959	18 000.00	13 921.00	9 669.00	3 100.00	22.27	24.22
1960	17 658.00	15 931.00	9 889.00	4 500.00	28.25	31.75

* The reserve includes stabilization funds (normally held in London).

** Cost price value, excluding interests.

Source: Annual reports of the Eastern Marketing Board.

Table 7. Investments of the Western Marketing Board in Nigeria (in '000)

Year	Balance	General reserves*	Overseas**	Value	Total investments in Nigeria as compared to ratio of reserves to £'·1 investment	
1956	20438.00	2470[illegible]	[illegible]	[illegible]000.00	52.81	67.2[illegible]
1957	25854.00	2303[illegible]	[illegible]	[illegible]000.00	[illegible]5.73	58.5[illegible]
1958	30451.70	23739.00	3917.00	10000.70	41.43	62.46
1959	47845.00	44101.00	3917.00	16000.00	56.46	73.00
1960	43638.00	39930.00	5035.00	30000.00	75.13	69.28

Source: Annual reports and accounts of the Western Marketing Board.

Table 8. Equalization on oil in Sénégal

Year	Beneficiary	Amount	Tonnage of oil
1970	Oil producers	872 571 123	35 088.T. 219
1971	"	1 070 043 255	40 448.T. 185
1972	"	1 510 235 480	47 098.T. 874
1973	"	7 230 893 208	50 121.T. 247
1974	"	4 044 052 634	41 250.T. 010
	TOTAL	10 509 135 940	213 992.T. 530

Source : CPSP du Sénégal.

Table 9. Rate of equalization on rice in Sénégal

Year	Negative equalization	Postive equalization
1972/73	2 348 569 318	
1973/74		
1) Tranche	5 035 552 619	
1974/75 2) Tranche	488 563 020	
1) Tranche		94 717 088
Total	7 871 884 957	94 717 088

Source : Caisse de stabilisation et péréquation des prix du Sénégal.

ONCAD: Office national de coopération et d'assistance pour le développement
(Agricultural marketing agency).

Table 10. Cocoa production (in '000 tonnes) and producer prices in Nigeria (1960-1975).

Year	Production	Producer price/tonnes
1960	149	320.00
1961	185	272.00
1962	189	200.00
1963	174	210.00
1964	203	220.00
1965	264	240.00
1966	167	130.00
1967	246	180.00
1968	228	190.00
1969	179	200.00
1970	207	300.00
1971	205	310.00
1972	230	310.00
1973	220	310.00
1974	198	425.00
1975	197	605.00

Source: Basic Agricultural Statistics, Nigeria.

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